

Supervisor Matt Letourneau School Board Representative Jeff Morse Dulles District



Dulles District Supervisor Matt Letourneau and School Board Representative Jeff Morse Alert Community to Potential Crowding Issues in Dulles District Schools

Following an updated review by Loudoun County Public Schools in conjunction with the FY2016 County budget process, Supervisor Matt Letourneau and School Board Representative Jeff Morse share the following message with Dulles District residents:

Every year, Loudoun County Public Schools conducts a comprehensive planning exercise intended to project school enrollment at each of Loudoun's 88 schools. This projection is intended to help guide the School Board and the Board of Supervisors as the two bodies make decisions regarding future school construction needs.

This year, some major challenges have emerged on the horizon impacting middle school students in the Dulles South area, and elementary school students in the Dulles North area. Those challenges are discussed in detail below.

In order to properly understand the context of the situation, however, some background on the County's school construction process and fiscal policies is required.

Capital Improvement Plan Background

New schools and additions are planned for in the Six Year Loudoun County Capital Improvement Plan (CIP), a part of the Fiscal Plan for the County that is adopted by the Board of Supervisors each year in April. Early in the budget process, LCPS and the School Board identify their needs based on projections and actual enrollment, and then make a request to the Board of Supervisors to include these school construction projects in the CIP.

The CIP is constructed using a set of fiscal policies adopted and maintained by the Board of Supervisors. Funding of these projects is the result of a comprehensive planning process that includes Capital Facility Standards, a Capital Needs Assessment, and a Capital Intensity Factor. With total planned expenditures of over \$1.1 billion over the next six years, the CIP

requires careful planning by the Board of Supervisors and the County Office of Management and Financial Services.

The County's fiscal policies include benchmarks such as total debt limit, debt to estimated property value, debt to per capital income, debt service to expenditures, and ten year debt payout ratio. These policies are designed to protect the County in the event of an economic or housing downturn, and form the basis of the evaluations that major credit agencies use to evaluate the fiscal health of the County and its planned expenditures when municipal bonds are sold.

It is important to understand that the CIP is a different product than the Annual Operating budget. While the operating budget funds payments on debt service, it does not have a significant impact on some of these ratios, meaning that simply increasing the operating budget or the tax rate will not allow for more projects in the CIP.

The fiscal policies of the Board have led Loudoun to repeated AAA bond ratings by Standard and Poor's, Moody's and Fitch. These agencies have lauded the County's strong financial management, and resulted in extremely low interest rates on bonds, creating savings for taxpayers and needed capacity to fund new projects as the population has grown. Only a small percentage of localities in the United States achieve AAA ratings from all 3 agencies, and this is an accomplishment we are proud of.

Recent CIP adjustments

Earlier in our term, LCPS enrollment projections indicated a greater than expected increase in student enrollment in the Dulles District. To mitigate the issue, we sought (and were successful in achieving) the acceleration of construction on two Dulles District schools—Cardinal Ridge Elementary and Rock Ridge High School. Despite some opposition, we were able to garner support on both boards to move these projects up in the County CIP. This allowed them to be built and opened sooner, reducing crowding at Liberty, Pinebrook, and Briar Woods.

Last year's enrollment projections from LCPS saw a slowdown in growth, creating less demand for new schools. This made it possible for the Board of Supervisors to add the Academies of Loudoun high school project to the funding plan, bringing to fruition a longtime goal to have a dedicated STEM high school in Loudoun.

The Current Situation

During preparation for the FY2016 CIP, two separate and serious enrollment trends have emerged. In both cases, FY2015 student enrollment projections were off by significant amounts. The actual number of students enrolled in the September 2014 LCPS assessment was much greater than estimated in last year's projection, and the projected enrollment growth has also increased significantly over last year's assessment.

<u>Middle School.</u> Addressing middle school growth first, the enrollment projections at Mercer Middle School were greatly underestimated. The rate of growth and number of building permits led LCPS to revise its projections for Mercer. With the new addition, Mercer MS has a capacity

of 1,321 students and a September 2014 enrollment of 1,255 students. See Table 1 below for the changing projections.

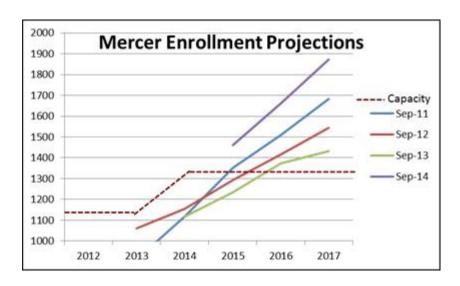


Table 1: Mercer Middle School Enrollment Projections September 2011-September 2014

Two new middle schools are planned in the current (FY2015) CIP relevant to Mercer: a new middle school in Brambleton scheduled to open in 2017-2018 (known as MS-9), mainly intended to relieve overcrowding at Eagle Ridge and Stone Hill, and a new Dulles South middle school to be located on Braddock Road west of Northstar Blvd, currently scheduled to open in 2021 (known as MS-7). The significant change in enrollment projections drove a change in this year's School Board adopted CIP request, where the opening of MS-7 would be accelerated from school year 2021-2022 to school year 2018-2019.

<u>Elementary School.</u> Similarly, this year's elementary student projections in the Dulles North area changed from a slowing rate of growth to an accelerated rate of growth: see Table 2 below.

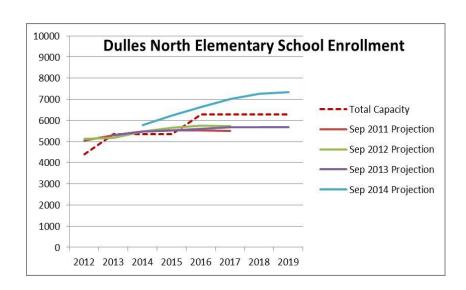


Table 2: Dulles North Elementary School Enrollment Projections September 2011-September 2014

A new school (known as ES-27) is being planned to open in Brambleton for the 2016-2017 school year. The following year, even with ES-27 filled, elementary schools in the Dulles North cluster will be overcrowded by 727 students—which is almost an entire elementary school. Opening of ES-27 will not solve the issue: the deficit of seats is expected to reach almost 1,000 if ES-31 is not opened in school year 2018-2019.

The School Board requested acceleration of both the middle school and the second elementary school in order to alleviate this overcrowding. This would move up the bond funding for the construction of both schools: depending on the year constructed, MS-7 will cost between \$55-\$63 million, while ES-31 will cost between \$36-\$41 million.

As previously mentioned, the County has about \$200 million in debt capacity every year. In FY2016, the County Administrator's proposed CIP uses \$199.7 million of this capacity [including \$108.5 million for the Academies of Loudoun]. In FY2017, the CIP uses \$175 million, and in FY2018, it uses \$191 million. It is not feasible to add the new school construction funding to the FY2016, FY2017, or FY2018 bond referendums within the constraints of the County's fiscal policies.

While the Board of Supervisors has placed many new road and transportation projects in the CIP, many of them rely on regional road funding which cannot be used to build schools. Therefore, even if they were removed from the CIP, it would not help solve the problem for the two schools that are needed. Some of the projects currently in the CIP are multi-year initiatives that cannot be moved, and some involve other funding partners such as VDOT.

Potential Solutions

The purpose of this message, therefore, is to let you know that our community could be facing significant overcrowding in our Dulles South middle schools and Dulles North elementary schools, and that we are once again working together along with our colleagues on both Boards to try to solve these problems.

The Board of Supervisors' Finance, Government Services, and Operations Committee will be having a work session on the CIP this evening, and a major topic of discussion will be exploring moving a combination of other projects in order to accommodate the needed new Dulles District schools. At the same time, LCPS is working to identify various backup scenarios in case it is impossible to include these schools when they are needed. Obviously, the best solution would be to accelerate construction of the needed schools, and the Board of Supervisors and County staff are working to see if there are any scenarios in which that would be possible.

If it is not possible, then there are many options available to mitigate the risk of high growth. Some of the options include:

- -Portable classrooms at Lunsford Middle School and at Dulles North Elementary Schools
- -Short term (3 year) attendance boundary adjustments south of Route 50 to accommodate Dulles South students at a Dulles North Middle School
- -Delaying the debt issuance and therefore the opening of the Academies of Loudoun High School
- -Further expand the size of new construction for Middle and Elementary Schools

We understand that none of these options are good ones, but we don't want anyone to be surprised if any of these things come to fruition. We also know that our schools cannot operate with the level of overcrowding currently being projected if no action is taken, so it is incumbent on us to find solutions, even if they are not ideal.

It is important to note that none of these things will happen without public debate and discussion, and we are committed to ensuring that there is close collaboration between both boards. As previously mentioned, increasing the tax rate and "fully funding" the operating budget will not alleviate these crowding issues because school construction is not funded from the operating budget, and the additional school funding that would come from a higher tax rate would not create additional debt capacity for the County.

There is some good news worth mentioning which may ultimately make our job easier. While in FY2014 building permits for new residential construction soared, they are down significantly thus far in FY2015. Therefore, the rate of growth built into the latest enrollment projects may actually be too aggressive, and actual enrollments may be under what is being predicted. We certainly hope this is the case. But it would irresponsible for us to not address the risk to our schools of the increased enrollment growth.

Obviously, the amount of residential construction and growth has a direct impact on school crowding issues. Over the last few years, we've seen a spike in residential construction, mostly in developments that were previously approved by past Boards or are by-right developments that don't require Board of Supervisors approval. Even without a single new home approved, Dulles South still has over 5,000 unbuilt residential units that could be built, while Dulles North has nearly 9,000. This is therefore a problem that we will be dealing with for some time. The current Board of Supervisors has approved a relatively small amount of new homes, and those that have been approved have been with far better proffer packages and developer contributions than seen in previous years. The challenge we are facing was not created by the current Board of Supervisors nor by LCPS.

In addition, Superintendent Dr. Eric Williams and the School Board are working to fully understand factors that led to the significant change in enrollment growth. Timely identification of such trends is vital to a stable CIP.

Over the coming weeks, we welcome your questions and input as we work on these crowding issues. We thank you for the opportunity to serve and hope that we can find the best solutions possible to deal with these challenges.